TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE

FISCAL NOTE

SB 2722 – HB 3333

February 23, 2012

SUMMARY OF BILL: Creates an additional franchise and excise job tax credit for certain qualified business enterprises, equal to $5,000 for each new job created, when the qualified business enterprise makes a capital investment exceeding $20,000,000 and creates at least 100 new jobs. Such qualified business enterprises must be located within a tier 2 or tier 3 enhancement county, and be located in either a central business improvement district, a redevelopment zone, within 20 miles of federally-owned land approved for closure under any federal Base Closure and Realignment Commission, or within walking distance of short-distance shuttle service of a public transportation system. Any tax credits authorized to a qualified business enterprise shall be allowed for a three-year period. Defines "qualified job" for the purpose of receiving the proposed tax credit. Authorizes job tax credits to be used for offsetting up to 100 percent of franchise and excise tax liability. Unused job tax credits shall not be carried forward beyond the year for which the credit originated.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – Exceeds $500,000/FY12-13
Exceeds $1,000,000/FY13-14
Exceeds $1,500,000/FY14-15 and Subsequent Years

Increase State Expenditures – Not Significant

Other Fiscal Impact - Secondary economic impacts may occur as a result of this bill. Such impacts may be realized due to an increased business presence in certain specified areas of Tennessee prompted by passage of this proposed legislation. Due to multiple unknown factors, fiscal impacts directly attributable to such secondary economic impacts cannot be quantified with reasonable certainty.

Assumptions:

- The fiscal impact of this bill is dependent upon several unknown factors such as the number of additional taxpayers that will be considered qualified business enterprises as a result of this bill, the number of additional qualified business enterprises that will meet the capital investment requirement specified in the bill, the number of additional qualified business enterprises that will create at least 100 new qualified jobs, and the total number of new qualified jobs created by any additional qualified business enterprises.

- It is reasonably estimated that one additional taxpayer each year will meet the specified criteria for receiving the additional job tax credits. Any additional qualified business enterprise is assumed to create a minimum of 100 new jobs.
- Given any additional qualified business enterprise can only claim such job tax credits for a three-year period, it is reasonably estimated there will be one additional qualified business enterprise in FY12-13, two additional qualified business enterprises in FY13-14 (one from FY12-13 and one from FY13-14), and three additional qualified business enterprises in FY14-15 (one from FY12-13, one from FY13-14, and one from FY14-15). The number of additional qualified business enterprises for all fiscal years subsequent to FY14-15 will be three (because one will exhaust tax credit eligibility and a new qualified business enterprise will be authorized new job tax credits).
- The decrease in state revenue for FY12-13 is reasonably estimated to exceed $500,000 ($5,000 tax credit x 100 minimum jobs x 1 taxpayer); the decrease in state revenue for FY13-14 is reasonably estimated to exceed $1,000,000 ($5,000 tax credit x 100 minimum jobs x 2 taxpayers); and the recurring decrease in state revenue for FY14-15 and subsequent years is reasonably estimated to exceed $1,500,000 ($5,000 tax credit x 100 minimum jobs x 3 taxpayers).
- Any increase in state expenditures for the Department of Revenue to administer additional job tax credits is considered not significant because mechanisms and resources are currently in place to administer job tax credits, and because the number of business enterprises with the capability to create 100 jobs are relatively few.
- There could be subsequent increases in state and local government revenue and expenditures due to secondary economic impacts prompted by passage of this bill. Increases in revenue may occur from incremental sales tax revenue, incremental business tax revenue, and incremental franchise and excise tax revenue if the total number of business taxpayers increase as a result of this bill. Increases in expenditures may occur if the demand for governmental services and infrastructure increase as a result of an increased business presence within the areas specified in the bill. Due to multiple unknown factors such as the extent and timing of any additional business presence, the extent and timing of any incremental revenue, and the extent and timing of any increased demand for governmental services, the fiscal impacts directly attributable to such secondary economic impacts cannot be quantified with reasonable certainty.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

Lucian D. Geise, Executive Director

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